

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park
Helena MT 59620

Board Legislative Committee Minutes
Wednesday, December 6, 2006
10:00 a.m.

Committee Members: Robert Griffith and Troy McGee. John Paull by phone

Staff: Roxanne Minnehan, Melanie Symons, Scott Miller, Kim Flatow, Kathy Samson, Barbara Quinn, MPERA. Terrence Smith, Board member, by phone.

Public Comment – *No public comment/no public in attendance.*

All motions are recommendations to the full Board.

Approval of Committee Minutes - meeting of Wednesday, October 26, 2006

Discussion to strike the “note” on page 2 as it was not discussed in the October 26th meeting. The note is in the minutes of the November 9th board meeting and will be in today’s minutes of this meeting.

Note: Immediately after the Committee meeting, Ms. Minnehan received a phone call from OBPP withdrawing the idea to phase in with a larger percentage in year one. They will propose for TRS only. This information was brought to the Board at its November 9, 2006 meeting.

Troy McGee made a motion to approve the minutes as amended; John Paull seconded the motion.

Executive Director’s Report

DROP – The actuary’s report showed the DROP is not cost neutral -it extends the time of the unfunded liability for an additional year. The police want to eliminate the employee contribution for members that join the DROP. They say that it is very unusual for DROP plans to continue the employee contribution to the plan.

Milliman’s November 9th report was then discussed concerning the recommendation to increase the contribution rate 0.47%. The elimination of the employee contribution would make the plan more attractive to the members. The result would increase the cost of the DROP plan and, therefore, the unfunded liability of the plan. It would increase for two reasons 1) the DROP plan is already not cost neutral and 2) with no employee contributions being paid it would be more attractive to members and more members would likely join the DROP plan.

Since there is less than 5 years experience with the DROP plan, the committee decided to watch the plan closely and not take action at this time to increase the contribution rate. Since the plan is

currently not cost neutral the committee decided to **recommend to the Board** to resist any bill that would eliminate funding to the plan.

HPORS Request – the packet included information from the Association of Montana National Troopers requesting that an actuarial analysis on the impact to the unfunded liability if the cap were removed under 19-6-702(2)(b), MCA, if section (2)(b) were removed in its entirety and if the percentage were increased from 5 percent to 10 percent.

It was stated that due to actuarial costs, the Board has a policy to not incur the cost until there is actually a bill in place. It was decided to inform the actuary of the request because when bills start moving through the legislature things happen quickly and the advanced notice would be beneficial. The **recommendation to the Board** is to uphold the policy to not ask for the study until a bill is available.

SAVA Committee – The November 28th meeting was scheduled to be a two day meeting to look over all of the bills affecting retirement. The meeting adjourned at 10:45 am on the first day.

SAVA approved all of the PERB and TRS bills. SAVA had a duplicate funding bill that was tabled since the Boards were taking action on the same matter. Ms. Amy Carlson from the Governor's office told the SAVA committee that the governor's office had a separate funding bill. LC908 would lower the GABA to 1 ½ percent for all systems and then include a one-time increase to the employer contribution rate of 0.27 percent for PERS.

Ms. Minnehan explained that the 0.27 percent was from two separate studies. First, the June 30, 2006 valuation that showed the necessary increase in contributions to be 1.01 percent. Second, the GABA study showing the savings of decreasing the GABA from 3 percent to 1 ½ percent was 0.75 percent at June 30, 2006. The difference of these two percentages plus 0.01 percent for the timing difference of when the rate is actually to be implemented is the 0.27 percent.

Mr. Ewer was surprised to hear that the Board was not going to support the governor's bill and thought it would be an awkward situation. Ms. Minnehan invited Mr. Ewer to attend the Board's Legislative Committee.

The committee discussed the possibility of the GABA being tied to the Consumer Price Index (CPI) but also was informed that CPI does not include medical and petroleum costs. The average for CPI over the last 5 years is 2.56 percent and the average over the last 10 years is 2.53 percent.

In the last Board meeting the Board members voted to oppose the governor's bill. The Board did not see where they could support unequal benefits for people working next to each other and doing the same jobs.

MEA-MFT Committee Meeting – Saturday, December 2, 2006 in attendance from MPERA was Ms. Minnehan and Ms. Flatow

Ms. Flatow reported that this meeting had about 100 retired teachers and about 50 PERS members attending. They were very resistant to the 1 ½ percent GABA even for new hires. The

committee discussed that there did not seem to be word on the street that the unions were in favor of the reduction in GABA. It was stated that the MPEA lobbyist for health and retirement benefits had spoken about opposing the reduction in GABA. It is also believed that the lobbyists for the safety systems will oppose the reduced GABA. Some unions may not be as opposed to the reduction because the majority of their membership is in TRS and impacts to PERS are affecting a much smaller group of their members.

MPERA is planning to send a newsletter to active members and employers concerning the legislative issues.

Committee recommendations

SB11 – The committee's main concern is in line 24 and the changing of months from 6 to 10. On the surface the change seems innocent enough but the impact may be greater if other agencies then want the same consideration given. It sets a precedent and the end result could be decreased contributions to the system. PERS is already seeing an impact of decreased contributions from the change of 640 hours to 960 hours. The committee's **recommendation to the Board** would be to remain neutral and provide information as needed.

LC0611 – This bill, carried by Sen. Carolyn Squires, has the PERB members being approved by a senate committee. The committee thought this might actually be a good idea but that it should include all boards not just the PERB. The committee's recommendation to the Board would be to remain neutral.

Other bills – It seems that the bills carried by Sen. Shockley are actually for Rep. Sinrud. Sen. Shockley stated in the SAVA meeting that he would be removing some of his bills.

LC0842 – for annual actuarial valuations. This bill is similar to a bill from last session that was opposed. The hindrance would be that the Board cannot take action without the legislature and therefore, it would be a cost for no reason. The bill does remove one payment for the valuations from the 1.5 percent budget cap. The actuarial valuations cost approximately \$55,000. The committee's **recommendation to the Board** would be to have a neutral/informational interest.

LC1591 – for the implementation of a retirement system for EMTs. The committee was surprised to see this bill and thought that it might be wise to have a discussion with Rep. Bob Bergren. It was mentioned that about two years ago there was a bill to include EMTs in the VFCA system that was not successful. The committee's **recommendation to the Board** would be to not take a position at this time.

LC0014 – to combine the PERS and TRS retirement boards. Ms. Symons saw a bill at one point but now it is on hold. Maybe the Board will know more after Mr. Klawon meets with Sen. Shockley. The committee's **recommendation to the Board** would be to not take a position at this time.

LC0302 – to implement a new and separate system for the National Guard (currently on hold). The interested parties met with Ms. Minnehan, Ms. Symons and Ms. Flatow at one point to

discuss their desires and some difficulties with the their idea were discussed at that time. The committee's **recommendation to the Board** would be to not take a position at this time.

SAVA addressed bills

LC0608 – concerning timely notification to the sponsor in the rule making process. The PERB should be represented at the hearing. The committee's **recommendation to the Board** would be to remain neutral.

LC0609 – stating that agencies cannot ask for information without having a rule in place. This bill requires what is the natural order of things. In our case the rule gave the detail of what was to be reported under the statute that gave us the authority to require the information. The committee's **recommendation to the Board** would be to remain neutral.

LC0610 – Payment of punitive dollar amounts from administrative expenses. In MPERA's case this is not proper use of trust fund money. It should be looking into further and the status of other agencies should be watched. **No recommendation to the Board** at this time.

LC0611 – Requires Senate confirmation of PERB Board members. The committee's **recommendation to the Board** would be to remain neutral.

LC0612 – Extend time for challenging agency actions. The committee's **recommendation to the Board** would be to remain neutral.

LC0691 – Clarify pulling of legislation for administrative rules. The committee's **recommendation to the Board** would be to remain neutral.

Frank Cole bills – The committee gave direction to the staff that chances are the bills would be opposed.

Bill Sponsors

Sponsors were discussed and the committee gave staff direction to contact potential bill sponsors in the following order:

Funding Bill

Sen. Larry Jent

Sen. Vicki Cocchiarella

Rep. Hal Jacobson

Sen. Bill Tash

Loan Bill

Rep. Dave Kasten

General Revisions

Rep. Dave Gallik

Rep. Carol Lambert

Sponsors must be obtained by December 26, 2006. The session starts January 3, 2007.

A follow-up meeting was scheduled for December 20, 2006 at 10 am if it is necessary.

Weekly legislative committee meetings during the session were scheduled for

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Tuesdays at 1:30 pm beginning on January 9, 2007.

The meeting was adjourned at 12:15 pm.